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USDOC FOR 532/OEA/ MCANNER
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: LEADGO LIMITED

REF: A) BIS e-mail request 01210098 dated December 15, 2009

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment verification (PSV) at Leadgo Limited, 12 Wang Tai Road, Room 612, Wing Fat Industrial Building, Hong Kong (Leadgo). The items in question for this PSV are various electronic components exported to Leadgo on or about June 20, 2008. These items are likely classified under Export Control Classification Number (ECCN) 3A001a2c and are controlled for national security (NS) reasons. This ECCN is eligible for shipment to Hong Kong license free but would, in virtually all circumstances, require a license for shipment to mainland China. The exporter is Arrow Electronics of Reno, Nevada.

¶3. According to the Hong Kong Companies Registry, Leadgo has been in existence since 1993. It has the Hong Kong equivalent of USD 1 in share capital. Yiu, Ka Chung, Yiu, Ka Yue, and Yiu, Yee Pak are listed as the company's directors (with corresponding Hong Kong ID numbers H417489(7), K401830(3) and H388226(A). Yiu, Ka Chung is also a director in Euro China International, Faster International and Million Bright International Holdings Limited. Yiu, Ka Yue is also a director in Fultex Apparel Limited and Euro China International Limited.

¶4. Background research on the internet reveals that Leadgo markets itself as a electronic components reseller. It states that its emphasis is in the area of high-tech products for commercial, industrial and military applications (www.leadgo.com.cn). The company lists additional contact details in Shenzhen, Shanghai and Xiamen. The Leadgo web site also includes a picture of a plaque Leadgo apparently received from the China Electric Technology Group (50th Research Institute) stating that Leadgo is a top supplier. According to the 50th Research Institute's web site (www.50.sh.cn), this research institute focuses on military communications development for the various mainland China military branches.

¶5. On December 23, 2009, ECO and Commercial Assistant Carrie Chan visited the company and met with Ms. Dorothy Ho, Sales Assistant. She was quite open during the interview. The company is located in a warehouse and offices building and operates as a small office and warehouse. According to Ms. Ho, Leadgo is a electronics trading company. Its customers are in mainland China. Ms. Ho is unfamiliar with the end uses of the items Leadgo sells. She stated that Leadgo's mainland salespeople are likely more familiar with this information. According to Ms. Ho, shipments to Leadgo in Hong Kong are routed to Leadgo in Shenzhen.

¶6. As to the specific transaction in question, Ms. Ho stated that the buyer was a trading company in Shanghai, namely Shanghai Shijie Electronics Limited. Ms. Ho also provided an invoice documenting

this transaction. Shijie Electronics has a Hong Kong affiliate as well (Hong Kong Shijie Electronics Co., Limited). Ms. Ho was not certain why the shipment had not gone to that company's Hong Kong address. She surmised that its operations in Hong Kong are quite limited and so Leadgo was used for this logistics purpose. Separate documentation provided by Ms. Ho indicates that another company is listed as the buyer, namely Hua Ke Electronic (H.K.) Co., Limited. According to Ms. Ho, this company was the freight forwarder that was responsible for getting the items to the customer. The purported invoice indicating sale to this company and issued by Leadgo shows a much lower price than was apparently paid by Leadgo to the exporter (Arrow). Ms. Ho stated that this was designed to reduce VAT when importing these items into mainland China.

¶7. When asked by ECO for information concerning the end user, Ms. Ho left the room and apparently called Shijie in Shanghai. According to Ms. Ho, most of the items are still with Shijie while some has been sent to the factory floor. Ms. Ho claimed not to be able to provide any additional information about the end user.

¶8. When asked whether Leadgo had obtained the required Hong Kong licenses for import and reexport of the items, Ms. Ho stated that Leadgo had not. She claimed that she often checks the Hong Kong Trade and Industry Department web site to determine whether a license is required. ECO later checked the HKTID web site and determined that one of the applicable items (AT28C010-12FM/883 ECCN 3A001a2c) requires a Hong Kong strategic commodities license for import into Hong Kong and export from Hong Kong.

¶9. ECO provided Ms. Ho with additional information about U.S. export controls and separately sent her links to the BIS website regarding export controls. Ms. Ho indicated during the meeting that she understood that some items were controlled.

¶10. Hong Kong Shijie Electronics Co., Ltd. has been in existence since 2004. It has the Hong Kong equivalent of USD 10 in share capital. Its director is listed as mainland Chinese national Ruan, Mingqiang (PP#W06411528). The company does not appear to have an operational web site although web address www.sj-ic.com appears to be registered to Shanghai Shijie International Trading Co., Ltd. ECO has received additional contact information regarding Shijie that he may share with OEA if requested. According to information provided separately by Arrow Electronics in 2008, Shijie in Hong Kong has also been an Arrow customer of 3A001a2c items.

¶11. Hua Ke Electronic (H.K.) Co., Limited (the transport company that acted on behalf of Leadgo) has been in existence since 2002. It has the Hong Kong equivalent of USD 125,000 in share capital. Its directors are listed as mainland Chinese nationals Chen, Shao Qing and Peng, Shao Duan. Its registered address is listed as Unit A, 5/F, Niche Centre, No. 14 Wag Tai Road, Hong Kong.

¶12. According to Ms. Ho, other companies listed in the Leadgo entrance (Million Bright, Goodreach International, Euro China) are all trading companies operating in other lines of business, namely travel adaptors, clothing or light bulbs.

¶13. ECO finds Leadgo to be an unsuitable recipient of U.S. origin technology. ECO recommends that OEA conduct a thorough review of all shipments to Leadgo, Shijie, Hua Ke and the other companies mentioned herein and their respective addresses. ECO also recommends that BIS consider pursuing legal action against Leadgo for the EAR violations that appear to have taken place in respect of this shipment. ECO intends to meet separately with Arrow Asia (the exporter's Hong Kong affiliate) to discuss its business with Leadgo and will report the results of that meeting separately.